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C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 001041

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SUBJECT: ENERGY SPECIAL ASSISTANT WELCOMES US COMPANIES'
BIDS, SEES TANGLED FUTURE FOR COAL POLICY

REF: A. DHAKA 517

[1](#)B. DHAKA 684

[1](#)C. DHAKA 773

Classified By: Ambassador James Moriarty, Reasons 1.4(b),(d)

SUMMARY

[1](#)1. (C) According to the Special Assistant to the Chief Adviser for Energy, a Malaysian firm's bid for the Bibiyana power plant in northeastern Bangladesh is nearly final. The door remains open for GE, which was interested in the Bibiyana project, to bid on other projects, however, including a proposed plant at Sirajganj in northwestern Bangladesh. A contract with Conoco Phillips to explore for gas in eight offshore blocks submitted during the third hydrocarbons bidding round in May 2008 awaits the Chief Adviser's signature. Tamim said the Caretaker Government was not likely to adopt a new coal policy before the end of its tenure, further slowing the Government of Bangladesh's response to the country's energy shortage.

POWER PLANT POWER PLAY

[1](#)2. (C) In a September 30 meeting with the Ambassador, Professor M. Tamim, Special Assistant to the Chief Adviser for the Ministry of Power, Energy, and Mineral Resources, said he had recommended the government approve a bid by Malaysia's Powertek for the Bibiyana power project, despite the bid's being on the high side of what the government was willing to pay. PowerTek, which planned to use Siemens equipment, was the sole bidder for the development of a power generation plant near the Bibiyana natural gas fields in northeastern Bangladesh. Despite GE's interest in the project, the Government of Bangladesh (GOB) had disqualified GE's local partner, Summit Corporation, because the GOB had considered Summit's capitalization insufficient to finance the project. (NOTE: GE has sought USG advocacy assistance for the project in the past. The Bibiyana power plant will be located near Chevron's Bibiyana gas field, and gas from that field will power the plant. Chevron considered bidding on the Bibiyana power project, but did not in the end, due in

part to the terms of the GOB's tender, which a number of sources called unworkable. END NOTE.)

13. (C) Special Assistant Tamim suggested other planned power plants were still in play for GE. He identified a project at Sirajganj, which currently had two bidders, including PowerTek, adding that GE still had time to find a new partner for this project. Highlighting Bangladesh's energy crisis, Tamim noted that Petrobangla, the state petrochemical company, estimated it would not be able to produce enough natural gas to support the Sirajganj plant until 2011.

SURVEYING THE DEEP: OFF-SHORE GAS EXPLORATION

14. (C) According to Tamim, the contract for Conoco Phillips to survey eight blocks in the Bay of Bengal for natural gas awaits the Chief Adviser's approval. GOB officials hope that seismic surveys will be conducted during the upcoming dry season, between October and May (Refs A and C). Tamim admitted that some blocks would be disputed by Bangladesh's neighbors, but he did not believe the disputes would impede contract signing. (NOTE: Bangladesh is negotiating with India and Burma on the demarcation of territorial waters in the Bay of Bengal. END NOTE.) Tamim said the GOB also planned non-exclusive seismic surveys for the 19 as yet unassigned blocks using the same company chosen by Conoco Phillips. These surveys could then be used for future gas exploration projects.

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THE FUTURE OF COAL

15. (C) Tamim was pessimistic about the future of the controversial coal policy, which he said "leftist" protestors had maligned. (NOTE: The GOB has said it must issue a coal policy before projects could move forward to exploit the country's sizeable reserves of high-quality coal. Asia Energy's project in Phulbari in northwestern Bangladesh, which would use U.S. financing and equipment, has been stalled in part due to the lack of a coal policy. END NOTE.) Tamim said the fastest way to begin coal mining would be to use Petrobangla's existing licenses for two sites, since new licenses were on hold pending finalization of the coal policy. With regard to Asia Energy's project, Tamim said another stumbling block was royalties, which he said the GOB should seek to renegotiate. Tamim asserted that Asia Energy's existing contract for the Phulbari coal field called for a guaranteed rate of return in excess of GOB policy at the time the contract was signed.

CHEVRON DISPUTE NEARS RESOLUTION

16. (C) Tamim predicted the dispute between Chevron and Petrobangla over tariffs charged for use of GOB gas pipelines would be resolved through negotiation without the need for arbitration. He told the Ambassador he had directed the issue be resolved by December, before the International Center for Settlement of Investment Disputes (ICSID) was scheduled to hear arguments on the dispute.

COMMENT

17. (C) Tamim expressed frustration at criticism from energy development opponents he characterized as leftist and opposed to multi-national corporations working in Bangladesh. Tamim claimed these critics, which had described him as a "tool" of the World Bank, were spreading the misconception that gas,

coal and electricity from proposed projects would be exported if not sold to the GOB, when in fact energy was also being sought by other domestic buyers. He said he was unwilling to take a public stand against these partisan protestors due to his status as a member of the neutral Caretaker Government. In order to address the country's energy crisis, Tamim said, political parties needed to come to agreement on the technical issues of energy policy, rather than grand-stand and engage in public protests against coal and other energy matters.

18. (C) Comment: Bangladesh's power and energy sector has failed to develop adequately in part due to special interest groups that have opposed numerous projects on social and environmental grounds; there is also resistance in some quarters in Bangladesh to foreign investment in these industries and to the export of excess energy and power to neighboring countries like India. Gas supplies from existing fields are running out, hindering the progress of proposed new power plants. The GOB is developing new sources of energy at a glacial pace. The Caretaker Government's fear of protests against development of coal resources has kept Bangladesh from exploiting its vast and rich coal resources, which could help alleviate the country's energy crisis.

Moriarty